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MESSAGE

OF

GOVERNOR J. E. ERICKSON

TO THE

TWENTIETH LEGISLATIVE ASSEMBLY

OF THE

STATE OF MONTANA

1927

STATE PUBLISHING CO., HELENA, MONT

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GOVERNOR'S MESSAGE

To the Members of the Twentieth Legislative Assembly:

It is my pleasure as well as a duty imposed by the Constitution to greet you at the opening of your deliberations, to discuss with you the affairs of the State, and to make such recommendations and suggestions as may seem expedient and proper.

During the two years just passed things have gone well with Montana. The report of the Commissioner of Agriculture, Labor and Industry discloses the fact that our State is recovering from the depression and panicky condition which prevailed a few years ago. The farmer and the stockman are gradually getting back on their feet and are beginning to enjoy in a measure the prosperity to which they are entitled. Confidence in business and industrial activities is returning. Labor has been profitably and steadily employed, and there has been a noticeable absence of strife, turmoil and class-hatred, which have in the past too often marred the happiness of our people and retarded the growth and prosperity of our State. Present conditions are such as to inspire a spirit of hope and optimism, and there is much to hearten us to give to our State the very best possible service.

As legislators you are of course interested in the financial condition of our State. The State government, in common with industrial and commercial interests of the State, felt keenly the effects of the financial depression following the World War. There were decreasing revenues and mounting expenditures, resulting in a deficiency of staggering proportions in the general fund. When I was inaugurated on January 5, 1925, I found the general fund overdrawn $3,770,000.00, and an empty treasury. In addition there were deficiency claims pending from the previous years amounting to $66,000.00. The Legislative session further increased the indebtedness in the sum of $160,000.00, so that on June 30, 1925, the end of the fiscal year, the general fund was in the red $3,931,000.

However, the more prosperous conditions in the State, revival of commercial and industrial activities and the general trend of progress and prosperity have been reflected in our State finances. These conditions, together with the fine co-operation that I have had from the heads of departments and State institutions in their determined efforts to curtail expenses, their application of good busi-

ness methods in the administration of their affairs of the institutions, and the practice of rigid economy at all times have enabled us to pay the running expenses of the government and save from the revenues nearly a million dollars which has been applied to the reduction of the deficit which accumulated during the lean years; the warrant indebtedness having been reduced from $3,931,000 to less than $3,000,000 since July 1, 1925.

I think you will agree with me that never were conditions in our State more attractive to the homeseeker and the investor than now, and I am loth to say or to do anything to disturb these conditions. Rather would I counsel in your activities moderation and a steady hand, and the avoidance of anything that would tend to engender sectional turmoil or group dissension. Some laws need amending to meet the changing conditions in a young and growing commonwealth, but there is need for very little new legislation. Everywhere we hear the complaint that there are already too many laws upon our statute books. Bear in mind that the welfare of our institutions depends upon the enforcement of and respect for the laws we already have, rather than upon a flood of new legislation.

Limit on Appropriations.

The budget for the coming biennium as submitted to you by the State Board of Examiners will show, among other things, the total revenues and expenditures for the preceding biennial period, and the estimated revenues and expenditures for the coming two years; with recommendations of the board as to the amounts to be appropriated.

The recommendations, however, are only advisory, as the Assembly may increase or diminish the appropriations suggested in the budget, so that in the last analysis it is for you to determine the amounts to be appropriated, and the manner in which the revenues are to be expended. You will recall, however, that your actions in these matters are limited by the Constitution and the laws of the State. Section 12, Article XII of the Constitution, provides that:

"No appropriation shall be made nor expenditures authorized by the Legislative Assembly whereby the expenditures of the State during any fiscal year shall exceed the total tax then provided by law and applicable to such appropriation or expenditure, unless the Legislative Assembly making such appropriations shall provide for levying a sufficient tax not exceeding the rate allowed

in Section 9 of this article to pay such appropriations or expenditures within such fiscal year."

Under the law you can levy for State purposes only three and one-half mills on each dollar of valuation of property in the State. The law authorizes the levy of one and one-half mills for the maintenance and improvement of the four teaching units of the University of Montana. By a recent decision of the Supreme Court the expenses of maintaining the Experiment Station and the extension work in connection with the Agricultural College may not be charged to the proceeds of the mill-and-a-half levy. Released from this burden, it would seem that the appropriation for the four teaching units should be limited to the proceeds from the mill and a half levy, as provided by law.

Our only hope of continuing the good work that we have started in getting the State back upon a sound financial basis lies along the lines of retrenchment and economy. Our educational institutions and our charitable and penal institutions must of course be maintained, but there should be no new building, no new expansion, except where the need is imperative for the health, comfort and well-being of those who are directly affected. No new commissions or bureaus, which will add to the burden of the taxpayer, should be created, but rather there should be, wherever possible, a reduction and a consolidation of those already in existence. No new counties or judicial districts should be created and no new purely State enterprises undertaken. And appropriations should be pared down to the lowest possible point consistent with good service and efficiency.

Appropriation measures should receive your early and most serious attention. Final consideration of these bills is often deferred until near the end of the session, and this has usually caused delays in adjournment, embarrassment and misunderstanding.

I trust that you will profit by the experience of other Assemblies and pass all appropriation bills as early in the session as convenience and opportunity for due consideration will permit.

Levy for State's Needs.

In 1920 the people by a referendum vote authorized the Legislative Assembly to levy a tax of not to exceed three and one-half mills on each dollar of valuation for State purposes. Of this amount the Assembly was authorized to levy one and one-half mills for the support, maintenance and improvement of the four

teaching units of the State University. This levy was authorized each year for ten years, beginning in 1921, and will expire in 1930.

It is obvious that the two and one-half mill levy provided by the Constitution based upon the present classification law is insufficient to meet the demands of the State government and the University. In order to provide funds to carry on the business of the State after 1930, something should be done by the present session to at least maintain the present levy of three and one-half mills. I suggest that the Assembly do one of two things: Either amend the present classification law so that the levy for State purposes may be made upon the full and true value of property as contemplated by the Constitution, or submit to the people a referendum at the general election of 1928, re-enacting the present law providing for a levy of one and one-half mills for the maintenance of the University of Montana for another period of ten years. I believe that this matter should be adjusted at this time so that any errors or irregularities which might occur in the procedure may be remedied before the present law expires and so prevent any embarrassment in the fiscal arrangement of our State.

Banking Code Commission

During the depressing times from 1920 to 1925, Montana, in common with other States of the West and Middle West, suffered a fearful toll of bank failures. During this period 192 banks, State and National, failed, carrying with them ruin and disaster to business, industry and people in all walks of life. In the last two years, however, there has been a marked change for the better. The number of bank failures has been negligible, confidence restored, and the future is decidedly hopeful for both bankers and depositors. The trying times through which we passed disclosed many deficiencies and weaknesses in our banking laws, and to remedy these the Nineteenth Legislative Assembly authorized the appointment of a commission of three to study the banking situation and to submit its conclusions and recommendations to the Twentieth Assembly. Pursuant to this order of the Legislature, I appointed as such commissioners former Governor S. V. Stewart, Hon. C. H. Williams, stockman and farmer of Powell county, and Hon. W. A. Brubaker, banker and farmer of Terry. These gentlemen have devoted much time and labor to their task, and have submitted a comprehensive and illuminating report containing recommendations for the enactment of laws to regulate banks and building and loan associations of the State. This report will be submitted to you for your careful and earnest consideration, and

I trust it will assist you in the enactment of a safe and sound code of laws for these essential activities in our business life.

Public Schools

That every child in the State should have the advantage of a common school education at public expense, is fundamental and indispensable to good citizenship and good government. It is the duty of the State to see that our children have such opportunity, no matter where or under what circumstances they may live. This is a burden that the public has assumed since the foundation of our republic. Yet it is a regrettable fact that hundreds of children in Montana are growing up without adequate school advantages. Many of the rural districts have not the funds to provide equipment and teaching facilities for their children.

I do not believe that this condition is brought about by the fact that insufficient revenues are provided by the State for we are told that 47 cents of every tax dollar is applied to this purpose. The fault lies in the unequal distribution of funds. I called this to the attention of the last Legislative Assembly, and urged that the school laws be amended, if possible, so that there might be brought about a more equitable distribution of school funds and a more economical use of the revenues raised for school purposes, to the end that all children as far as humanly possible might have equal opportunities to secure a common school education.

The Assembly responded by drafting a law which provided for the general levy of five mills on all property in the State for School purposes, to take the place of other forms of local levies. This law was referred to the voters at the general election in 1926. The plan, however, was rejected by the voters and the problem remains unsolved. This is one of the State's greatest problems and is worthy of the best thought of the lawmaking body.

Assuming that the revenues are sufficient, which I believe them to be, some plan should be devised whereby the State might be charged with the distribution of the available school funds in such way that all the children of the State might share equally the benefits.

Centralized Accounting System

The Nineteenth Legislative Assembly created and established an accounting system committee, to be known as the "Centralized Accounting System Commission of Montana," composed of the State Auditor, State Accountant and State Examiner. This com-

mission was requested to determine the possibility of developing a system of accounting to be applied to the financial records of the State, said system to be centralized in one department at the State Capitol, and to replace as far as possible all such accounting methods as are now conducted at each department and institution of the State; and if upon a complete investigation the commission shall deem it both possible and advisable that such centralizing system be applied, it shall proceed to develop such a system as is deemed suitable and efficient and to report to the Governor the result of its investigation. This committee was organized and has made such survey and investigation as directed by the Assembly, and the report of its labors will be presented for your consideration.

I cannot impress upon you too strongly the importance of this matter and I trust you will give the report and its recommendations your serious consideration. Our present system of accounting is cumbersome, inefficient and extravagant. Private corporations and business concerns have long since discarded the archaic methods now used in our State institutions for more up-to-date, economical and efficient systems. Montana is a big business institution, and from the standpoint of economy and efficiency should adopt modern approved methods in keeping a record of her manifold and complex business transactions. I suggest that if this change meets with your approval, you authorize the installation of a centralized accounting system along the lines suggested in the report.

State Land Department

A perusal of the biennial report of the Register of State Lands will impress upon you the fact that this department has become one of the most important activities of the State. Montana is beginning to profit by the liberal policy of the Federal government with respect to its land grants. Upon its admission to the Union the State received for the benefit of its educational and eleemosynary institutions a total of more than 5,856,000 acres of public domain. Of this amount approximately 1,200,000 acres have been sold, leaving yet unsold 4,660,000 acres. The total value of these lands, including the permanent funds which have been derived from sales, is estimated at $67,361,000.

As our State develops these assets will continue to increase. During the year 1926, 53,000 acres were sold for a total sum of $750,000. The total receipts of this department for the benefit of the permanent funds for the fiscal year ended June 30, 1926,

amounted to $2,683,000, including repayments on investment. Of this amount $2,552,000 was for the benefit of the common schools. This is by far the largest volume of business ever transacted by the department in any one year.

The Register will submit recommendations for revision of the land laws to meet changing conditions. The present law was adequate at the time of its enactment, but with the increasing volume of business have come new problems and changed conditions, not contemplated when the present law was enacted. The discovery of oil has brought problems not heretofore anticipated or provided for by law. These recommendations and suggestions will be submitted to assist you in the enactment of an adequate law, and I trust this matter will have your earnest consideration.

Farm Mortgages

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Substantial progress has been made in the readjustment of the State farm mortgage problems. The original investment of the State amounted to a little more than $4,500,000. With accrued interest unpaid, delinquent taxes and the costs of foreclosures paid by the State, the investment has now increased to $5,400,000. This sum is secured by mortgages on 706,000 acres of land. There has been an adjustment on 390,000 acres as follows:

The mortgages on 46,000 acres have been converted into amortization mortgages. The State has acquired title to 141,000 acres and resold the same, generally to the mortgagors, on long time and easy payments; and title has been acquired to 209,000 additional acres through foreclosures and quit-claim deeds and these have not been resold, leaving a little more than 300,000 acres covered by unsettled original mortgages.

It is encouraging to note that last year $220,000 was collected as interest—the largest amount collected in any one year. This, it will be observed, is only about $50,000 less than 6 per cent on the original investment. It is believed that under the present methods of acquiring title to the lands mortgaged and reselling them the State will eventually recover at least its original investment and will sustain little, if any, losses. The mortgage adjustment work is now done in the office of the Attorney General.

Extraditions and Transportation

Last year requisitions were issued upon Governors of other States for the return of fugitives from justice, at a cost to the State of approximately $7,500.00. Seventy per cent of these requisitions

came from seven of the most populous counties. Thirty-two counties made no applications for requisitions, but these thirty-two counties had to share the cost of bringing these fugitives back. It is manifestly unfair and inequitable to make the majority of the counties help bear the burdens of the few who find it necessary to avail themselves of this law. I believe that the law should be so amended that when a county desires the return of a fugitive from justice for trial, such county should bear the expense of so doing. This seems to be advisable not from the standpoint of economy for the State alone, but as a matter of justice and equity to the great majority of the counties of the State that receive no benefit therefrom.

The State also pays for transportation of prisoners from county seats where conviction is had to the prison at Deer Lodge. The State maintains a penal institution where criminals are detained for the time of their sentence. This is done at great expense and it seems that counties furnishing inmates for this institution should deliver them at the penitentiary free of cost to the State. Last year the State paid to county sheriffs approximately $10,000.00 for transporting prisoners. If the sum so paid last year were divided among the fifty-six counties the cost to each would be negligible, but in the aggregate it adds substantially to the burden of the general fund of the State, which is already overloaded. I respectfully urge that the law be so amended that counties shall bear the cost of extraditions and of delivering their prisoners to the State Prison at Deer Lodge.

Blue Sky Law

Montana does not have an adequate or efficient blue sky law to protect people against investment in doubtful and worthless stocks and securities. May I suggest the formation of a Securities Commission, to be composed of the Attorney General, the Secretary of State or the State Auditor and the State Examiner, with power to regulate the offer for sale and sale of stocks and securities within the State of Montana, and requiring registration of such securities and licensing of persons selling or offering to sell, and empowering it to administer and enforce such law.

Provision should be made for the collection of a reasonable license fee from persons selling or offering to sell such securities, and penalties for the violation of the law or of such rules and regulations as the commission might make. Nearly all of the States in the Union have provided such protection for the investing public and legislation along this line will simply follow in the lead of others.

Delegates to Conventions

At the general election of 1924 the preferential primary for the election of delegates to National conventions, the nomination of Presidential Electors, and for the expression by the people of their preference for party candidates for President and Vice President, was repealed by referendum vote.

At this time there is no provision under law for the selection of delegates to National conventions and the nomination of Presidential Electors. A law should be enacted to replace the old statute, either to authorize the State Central Committees of the respective parties to select delegates to National conventions or empower the committees to call conventions for that purpose. Provision should also be made for the nomination of Presidential Electors at the primary election held in August.

Fewer District Judges

Every Governor in the last twenty-five years has urged upon the Assembly the advisability of redistricting the judicial districts of the State and reducing the number of judges. Montana has thirty district judges. By way of comparison with other States it may be suggested that Colorado, with nearly twice the population of Montana, has twenty-seven district judges; North Dakota with 100,000 more people than Montana, has fifteen judges; South Dakota, with 100,000 more people, has twenty judges; Utah, with only 100,000 less population, has fourteen judges, and Idaho, with about 100,000 less population, has only sixteen judges.

I feel very sure that this session of the Legislature can save the taxpayers of the State from fifty to seventy-five thousand dollars a year by redistricting the State and reducing the number of judges, without in any way impairing the efficiency or usefulness of our courts. The repeal of the prohibition enforcement laws will materially reduce the work of the courts, and this furnishes a further argument for action on this subject.

Better Highways

The overwhelming endorsement given by the voters of Montana to the 3-cent gasoline tax shows how anxious the people are for good highways. And it is a matter for congratulation that the State is now in a fair way to have good roads. The revenues from this law augmented by Federal Aid will make at least three million dollars available to the State annually. Montana has had

difficulty in securing a gasoline tax law that is constitutional and valid. It is believed, however, that the present law is valid and workable. Representatives of Montana refineries, however, still insist that even under the present law they will suffer from unjust competition with gasoline shipped from other States in the original package and sold here tax free. If you should find this to be true, then the present law should be so amended that all gasoline sold and used in the State should be subject to the tax. The production and refining of crude oil is fast becoming one of the major industries of the State and those who are investing their money and developing the industry should be protected against unfriendly discrimination.

The Bar Association

The Bar Association of the State will submit for your consideration a plan for the organization of a public corporation to be known as "The State Bar of Montana." The purpose of the organization is to have general supervision over the ethics of the legal profession, to make in conjunction with the supreme court rules and regulations governing the admission of candidates for the bar, to direct and conduct disbarment proceedings with right of appeal, and in a general way to supervise the conduct of lawyers practicing in this State. The proposed legislation appeals to me as having merit, and I trust it will receive your serious consideration.

Auto License Activities

The last Legislative Assembly transferred the auto license department from the office of the Secretary of State to the State Penitentiary. I think it has been demonstrated that under the management of Warden Austin B. Middleton this activity can be successfully and efficiently carried on at the prison. It furnishes employment for a part of the year at least to a large number of inmates and thereby reduces substantially the cost of operation. As the financial condition improves it is hoped that in the near future the penitentiary can be supplied with equipment for manufacturing the license plates. This will provide more employment for the convicts and further reduce the expense of the department.

State Fair

For two years Montana has been without an official State Fair, the Nineteenth Assembly having refused to make an appropriation for the annual exposition. If it is your judgment that the

Fair as a State institution should be continued, then this body should in simple justice to the Fair and to the people of the State make an appropriation that will permit its operation on a scale commensurate with the purposes for which it was established.

No one will question the importance of the Fair as a means of education and publicity. With the co-operation of the farmers, the stockmen, the industries and the educational activities of the State, this Fair would be a real asset to Montana; and a dignified and worth-while State Fair cannot be maintained upon an inadequate appropriation.

Bank Assessments

There has been considerable confusion as to the right to tax the capital stock of State banks. The Supreme Court, however, has just handed down an opinion in the case of The Montana National Bank of Billings versus Yellowstone County, which seems to clear the situation. Whether additional legislation is needed to apply the law as interpreted by the court, is a matter for your careful consideration.

The Chief Justice, who delivered the opinion of the court, makes this suggestion in the course of his discussion of the case: "Doubtless the Legislative Assembly with perfect propriety might provide additional machinery to aid the Assessor in the matter of assessment of the shares of stock owned by residents, as well as non-residents of the State." I believe that this suggestion merits your attention and I therefore submit it to you.

State Examiner

The department of the State Examiner is now on a self-supporting basis. The duties of this department, however, are growing, and there seems to be a demand for increased service. The biennial report of the State Examiner sets forth the needs of the department, and if the Assembly should decide that the public is entitled to additional service I would suggest that the examination fees be raised to meet the necessary costs of the increased service. The present fees are nominal and a slight raise would not by any means be burdensome.

Scale Testing

The law now provides for the testing of all scales where grain is weighed at elevators and public warehouses. This is done under the supervision of the Commissioner of Agriculture. I believe that

this service should be extended so as to include scales where coal, sugarbeets, wool, stock and other commodities are weighed and sold. In view of the fact that this department is self-supporting this additional service can be provided for the people of Montana without further expense to the State.

There seems to be a well grounded demand for the extension of this service and it would be appreciated by the people of the State. I also suggest that appropriate penalties be provided for the violation of the rules and regulations made by the Department of Agriculture in respect to this activity.

Our State Institutions

I trust you will find time to familiarize yourselves with the reports of the various State departments and institutions. It will be of interest to you to know how Montana cares for her unfortunates, defectives and wayward. There are 2,800 of these wards of the State and you should have your committees visit these institutions and get first hand information concerning the management of the places. I can assure you that you will find the inmates treated humanely, and that the institutions are being conducted in an orderly and businesslike way. You will find that efficiency and economy go hand in hand. Reports from these committees would enable you more intelligently to legislate for the present and future needs and inasmuch as the people in every part of the State are interested in these institutions you will be able to carry back to your constituents unbiased and intelligent information concerning them.

National Guard in Montana

As citizens of the State we all feel an interest in the National Guard. We now have organized and completely equipped one regiment of infantry. This consists of nine rifle companies, three machine gun companies, three battalion headquarters companies, regimental headquarters company, service company and band, howitzer company, and a medical detachment, a total of 19 organizations, with a strength of 70 officers and approximately 1,200 enlisted men. This regiment is officially designated the 163d Infantry, 81st Brigade of the 41st Division.

The training of National Guard troops consists of weekly armory drills, schools for officers and non-commissioned officers, and the fifteen-day annual summer encampment. In addition, officers and non-commissioned officers are sent each year to service schools conducted by the War Department.

The Federal government pays all expenses in connection with armory drill and the fifteen-day camp, and furnishes free to the State all equipment, arms, ammunition, etc., necessary so that the Guard is ready at all times for field service.

The State provides drill halls or armories for all units, a State arsenal and storehouse, and an Adjutant General's office.

Disbursements by the Governor

In accordance with the provisions of the Constitution I submit the following statement of money belonging to the State received by the Governor and by him paid to the State Treasurer for the years 1925 and 1926:

	1925	1926
Morrill Fund	$ 50.000.00	$ 50,000.00
From Forest Reserves	82,786.75	69,455.52
5 Per cent Public Land Sales	1,554.36	1,550.38
Totals	$134,341.11	$121,005.90

Finally

In conclusion, may I wish for you a harmonious session and success in your efforts to secure the greatest good for the greatest number. It is evident that in order to render to the State the best service there must be unselfish co-operation between the Executive and Legislative departments, and to that end I pledge my earnest endeavor to establish our relations on the basis of cordiality and mutual respect, that our united efforts may increase the strength and efficiency of our State government and augment the prosperity and happiness of the people whom we temporarily represent.

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